

The Gazette



of India

EXTRAORDINARY
PART II—Section 2
PUBLISHED BY AUTHORITY

No. 4] NEW DELHI, THURSDAY, FEBRUARY 27, 1964/PHALGUNA 8, 1885

Separate paging is given to this Part in order that it may be filed
as a separate compilation

LOK SABHA

The following Bill was introduced in Lok Sabha on the 27th
February, 1964:—

BILL No. 10 OF 1964

*A bill to establish the Industrial Development Bank of India for
providing credit and other facilities for the development of in-
dustry and for matters connected therewith and further to amend
certain enactments.*

BE it enacted by Parliament in the Fifteenth Year of the
Republic of India as follows:—

CHAPTER I

PRELIMINARY

- 5 1. (1) This Act may be called the Industrial Development Bank
of India Act, 1964. Short
title,
extent and
commence-
ment.
- (2) It extends to the whole of India.
- (3) It shall come into force on such date as the Central Govern-
ment may, by notification in the Official Gazette, appoint and differ-
10 ent dates may be appointed for different provisions of this Act.
2. In this Act, unless the context otherwise requires,— Definitions.
- (a) "Board" means the Board of Directors of the Develop-
ment Bank;
- (b) "Development Bank" means the Industrial Develop-
15 ment Bank of India established under section 3;
- (c) "industrial concern" means any concern engaged or to
be engaged in the manufacture, preservation or processing of
goods or in shipping or in mining or in the hotel industry or in

the transport of passengers or goods by road or by water or by air or in the generation or distribution of electricity or any other form of power.

Explanation.—The expression “processing of goods” includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation; 5

(d) “Industrial Finance Corporation” means the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948; 10 15 of 1948

(e) “prescribed” means prescribed by regulations made under this Act;

(f) “Reserve Bank” means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934; 2 of 1934.

(g) “scheduled bank” means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934; 15 2 of 1934.

(h) “State co-operative bank” has the same meaning as in the Reserve Bank of India Act, 1934; 2 of 1934.

(i) “State Financial Corporation” means a financial corporation established under section 3 or section 3A of the State Financial Corporation Act, 1951 and includes the Madras Industrial Investment Corporation Limited. 20 63 of 1951

CHAPTER II

ESTABLISHMENT OF THE INDUSTRIAL DEVELOPMENT BANK OF INDIA AND CAPITAL THEREOF 25

Establishment and incorporation of Industrial Development Bank of India.

3. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be established for the purposes of this Act a corporation to be known as the Industrial Development Bank of India. 30

(2) The Development Bank shall be a body corporate with the name aforesaid having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract, and may, by that name, sue or be sued.

(3) The head office of the Development Bank shall be at Bombay or at such other place as the Reserve Bank may, by notification in the Official Gazette, specify. 35

(4) The Development Bank may establish offices, branches or agencies at any other place in or outside India.

4. (1) The authorised capital of the Development Bank shall be fifty crores of rupees: Authorised
and issued
capital.

5 Provided that the Reserve Bank may, with the previous approval of the Central Government, increase the said capital up to one hundred crores of rupees.

(2) The issued capital of the Development Bank shall, in the first instance, be ten crores of rupees, but the Reserve Bank may, with the previous approval of the Central Government, increase the issued capital from time to time up to such amount as it thinks fit.

(3) The issued capital of the Development Bank shall be wholly subscribed by the Reserve Bank.

CHAPTER III

MANAGEMENT OF THE DEVELOPMENT BANK

15 5. (1) The general superintendence, direction and management of the affairs and business of the Development Bank shall vest in a Board of Directors, which may exercise all powers and do all acts and things which may be exercised or done by the Development Bank. Manage-
ment.

20 (2) Save as otherwise provided in regulations made under this Act, the chairman and in his absence the vice-chairman shall also have powers of general superintendence, direction and management of the affairs and business of the Development Bank and may exercise all powers and do all acts and things which may be exercised or done by the Development Bank.

(3) Subject to the provisions of this Act, the Board in discharging its functions shall act on business principles with due regard to public interest.

30 6. (1) The Board shall consist of such persons as for the time being hold office as directors on the Central Board of the Reserve Bank. Board of
Directors.

(2) The Governor of the Reserve Bank shall be the chairman and a Deputy Governor of the Reserve Bank nominated by that bank in this behalf shall be the vice-chairman of the Board.

(3) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

40 (4) The chairman or, if for any reason he is unable to attend a meeting of the Board, the vice-chairman or, in the event of both the

chairman and the vice-chairman being unable to attend the meeting, any other director nominated by the chairman in this behalf, shall preside at the meeting.

(5) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the chairman or in his absence, the vice-chairman, or in the absence of both the chairman and the vice-chairman, the person presiding, shall have a second or casting vote. 5

(6) Save as provided in sub-section (5), every director of the Board shall have one vote. 10

Executive
Committee
and other
com-
mittees.

7. (1) The Board may constitute an Executive Committee consisting of such number of directors as may be prescribed.

(2) The Executive Committee shall discharge such functions as may be prescribed or as may be delegated to it by the Board. 15

(3) The Board may constitute such other committees whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons for such purpose or purposes as it may think fit.

(4) The Executive Committee or any other committee constituted under this section shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed. 20

Fees and
allowances
of direc-
tors and
members
of com-
mittees.

8. The directors and the members of a committee shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or of any committee constituted in pursuance of this Act and for attending to any other work of the Development Bank: 25

Provided that no fees shall be payable to any director or member who is an officer of the Government or to the Governor or a Deputy Governor of the Reserve Bank or any officer of that bank. 30

CHAPTER IV

BUSINESS OF THE DEVELOPMENT BANK

Business of
Develop-
ment Bank.

9. (1) The Development Bank may carry on and transact any of the following kinds of business, namely :— 35

(a) granting loans and advances to—

(i) the Industrial Finance Corporation, any State Financial Corporation or any other financial institution which

may be notified by the Central Government in this behalf, by way of refinance of any loans or advances granted to industrial concerns by such Corporation or institution which are repayable on the expiry of not less than three years and not more than twenty-five years;

(ii) any scheduled bank or State co-operative bank, by way of refinance of any loans or advances granted to industrial concerns by such bank which are repayable on the expiry of not less than three years and not more than ten years;

(iii) any scheduled bank or State co-operative bank or the Industrial Finance Corporation or any State Financial Corporation or any other financial institution which may be notified by the Central Government in this behalf, by way of refinance of any loans or advances granted to industrial concerns or group of industrial concerns by such bank or institution which are for the purpose of, or in connection with, the export of capital goods, commodities or merchandise from India and are repayable on the expiry of not less than six months and not more than ten years;

(b) subject to such conditions as may be prescribed, accepting, discounting or re-discounting bills of exchange and promissory notes of industrial concern;

(c) subscribing to or purchasing stocks, shares, bonds or debentures of the Industrial Finance Corporation, any State Financial Corporation or any other financial institution which may be notified by the Central Government in this behalf;

(d) granting loans and advances to any industrial concern or subscribing to, or purchasing, or underwriting the issue of, stocks, shares, bonds or debentures of any industrial concern:

Provided that nothing contained in this clause shall be deemed to preclude the Development Bank from granting loans or advances to, or subscribing to debentures of, an industrial concern, which may at the option of the Development Bank be convertible into stocks or shares of that concern within the period the loan, advance or debenture is repayable;

(e) guaranteeing deferred payments due from any industrial concern;

(f) guaranteeing—

(i) loans raised by industrial concerns which are floated in the public market; and

(ii) loans raised by industrial concerns from any scheduled bank or State co-operative bank or the Industrial Finance Corporation or any State Financial Corporation or any other financial institution which may be notified by the Central Government in this behalf;

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(g) guaranteeing the obligations of any scheduled bank or State co-operative bank or the Industrial Finance Corporation or any State Financial Corporation or any other financial institution which may be notified by the Central Government in this behalf, arising out of, or in connection with, underwriting the issue of stocks, shares, bonds or debentures of any industrial concern;

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(h) undertaking research and surveys for evaluating or dealing with marketing or investments and undertaking and carrying on techno-economic studies in connection with the development of industry;

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(i) providing technical and administrative assistance to any industrial concern or any person for promotion, management or expansion of any industry;

(j) planning, promoting and developing industries to fill up gaps in the industrial structure in India;

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(k) forming or conducting of subsidiaries for carrying out its functions;

(l) performing functions entrusted to, or required of, the Development Bank by this Act or by any other law for the time being in force;

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(m) doing any other kind of business which the Central Government, on the recommendation of the Reserve Bank, may authorise;

(n) generally doing such other acts and things as may be incidental to, or consequential upon, the exercise of its powers or the discharge of its duties under this Act or any other law for the time being in force including sale or transfer of any of its assets.

30

(2) The Development Bank may receive in consideration of any of the services mentioned in sub-section (1) such commission, brokerage, interest, remuneration or fees as may be agreed upon.

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(3) The Development Bank shall not grant any loan or advance or other financial accommodation on the security of its own bonds or debentures.

10. The Central Government may, after due appropriation made by Parliament by law in this behalf, advance to the Development Bank—

Loans by Central Government.

5 (a) an interest free loan of ten crores of rupees, repayable in fifteen equal annual instalments, commencing on the expiry of a period of fifteen years from the date of the receipt of the loan; and

(b) such further sums of money by way of loan on such terms and conditions as may be agreed upon:

10 Provided that the Central Government may, on a request being made to it by the Development Bank, increase the number of instalments or alter the amount of any instalment or vary the date on which any instalment is payable under clause (a).

11. (1) The Development Bank may, for the purpose of carrying out its functions under this Act,—

Borrowings and acceptance of deposits by Development Bank.

(a) issue and sell bonds and debentures with or without the guarantee of the Central Government;

(b) borrow money from the Reserve Bank—

20 (i) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date on which the money is so borrowed against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in force in India;

25 (ii) against bills of exchange or promissory notes arising out of *bona fide* commercial or trade transactions, bearing two or more good signatures and maturing within five years from the date of the borrowing;

30 (iii) out of the National Industrial Credit (Long Term Operations) Fund established under section 46C of the Reserve Bank of India Act, 1934 for any of the purposes specified in that section;

2 of 1934.

35 (c) borrow money from such other authority, organisation or institution in India as may be generally or specially approved by the Central Government;

(d) accept deposits repayable after the expiry of a period which shall not be less than twelve months from the date of the making of the deposit on such terms as may generally or specially be approved by the Reserve Bank.

(2) The Central Government may, on a request being made to it by the Development Bank, guarantee the bonds and debentures issued by that bank as to the repayment of principal and the payment of interest at such rate as may be fixed by that Government.

Loans in
foreign
currency.

12. (1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1947 or in any other enactment for the time being in force relating to foreign exchange, the Development Bank may, for the purpose of granting loans and advances under this Act, borrow, with the previous consent of the Central Government, foreign currency from any bank or financial institution in any foreign country or otherwise. 5 7 of 1947.

(2) The Central Government may, where necessary, guarantee any loan taken by the Development Bank under sub-section (1) or any part thereof as to the repayment of principal and the payment of interest and other incidental charges. 15

(3) All loans and advances out of foreign currency borrowed under sub-section (1) shall be granted by the Development Bank in Indian currency and shall be repayable in Indian currency.

(4) Any loss or profit accruing in connection with any borrowing of foreign currency under sub-section (1) for the purpose of granting loans and advances or its repayment on account of any fluctuations in the rates of exchange shall be reimbursed by, or paid to, the recipients of such loans and advances. 20

Grants,
donations,
etc., to
Develop-
ment Bank.

13. The Development Bank may receive gifts, grants, donations or benefactions from Government or any other source. 25

CHAPTER V

DEVELOPMENT ASSISTANCE FUND

Develop-
ment
Assistance
Fund.

14. With effect from such date as the Central Government may, by notification in the Official Gazette, appoint, the Development Bank shall establish a special fund to be called the Development Assistance Fund. 30

Credits to
Develop-
ment
Assistance
Fund.

15. To the Development Assistance Fund shall be credited—

(a) all amounts received for the purposes of that fund by way of loans, gifts, grants, donations or benefactions from Government or any other source; 35

(b) repayments or recoveries in respect of loans, advances or other facilities granted from the fund;

(c) income or profits from investments made from the fund;
and

(d) income accruing or arising to the fund, by way of interest or otherwise, on account of the application of the fund in accordance with the provisions of section 16.

16. (1) Where the Development Bank considers it necessary or desirable so to do, it may, subject to the provisions of sub-sections (2) and (3), disburse or spend from the Development Assistance Fund any amount on account or in consequence of the grant of any loan or advance, or on account or in consequence of entering into any arrangement, under clause (d) or clause (e) or clause (f) or clause (g) of sub-section (1) of section 9:

Utilisation
of Deve-
lopment
Assistance
Fund.

Provided that before granting any such loan or advance to an industrial concern or entering into any such arrangement with or in relation to an industrial concern, the Development Bank shall obtain the prior approval of the Central Government.

(2) Before seeking the approval of the Central Government under sub-section (1), the Development Bank shall satisfy itself that banking or other financial institutions or other agencies are not likely to grant such loan or advance to the industrial concern or to enter into any such arrangement with or in relation to the industrial concern in the ordinary course of business.

(3) The Central Government, before giving its approval, shall satisfy itself that such loan, advance or arrangement is necessary as a matter of priority in the interests of the industrial development of the country.

(4) For the removal of doubts it is hereby declared that nothing contained in this section shall be deemed to preclude the Development Bank from granting any loan or advance or from entering into any arrangement under clause (d) or clause (e) or clause (f) or clause (g) of sub-section (1) of section 9 without the approval of the Central Government, if no amount in respect thereof is to be disbursed or spent from the Development Assistance Fund.

17. (1) To the Development Assistance Fund shall be debited—

(a) such amounts as may from time to time be disbursed or spent under sub-sections (1) to (3) of section 16;

Debits to
Develop-
ment
Assistance
Fund.

(b) such amounts as may be required for discharging the liabilities in respect of loans received for the purposes of that fund;

(c) any loss arising on account of investment made out of that fund; and

(d) such expenditure arising out of, or in connection with, the administration and application of the fund as may be determined by the Board.

5

(2) No amount shall be debited to the Development Assistance Fund except as provided for in sub-section (1).

Accounts
and audit
of Deve-
lopment
Assistance
Fund.

18. (1) The balance-sheet and accounts of the Development Assistance Fund shall be prepared in such form and manner as may be prescribed.

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(2) The Board shall cause the books and accounts of the fund to be closed and balanced as on the 30th day of June each year.

(3) The fund shall be audited by one or more auditors appointed by the Reserve Bank under section 23 who shall make a separate report thereon.

15

(4) The provisions of sub-sections (2), (3), (4) and (6) of section 23 shall, so far as may be, apply in relation to the audit of the Development Assistance Fund.

(5) The Development Bank shall furnish to the Central Government and the Reserve Bank within four months from the date on which the accounts of the fund are closed and balanced, a copy of the balance-sheet and accounts together with a copy of the auditors' report and a report on the operation of the fund during the relevant year and the Development Bank shall cause to be published in the Official Gazette copies of the said balance-sheet, accounts and reports.

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Liquida-
tion of
Develop-
ment
Assistance
Fund.

19. The Development Assistance Fund shall not be closed or wound up save by order of the Central Government and in such manner as that Government may direct.

CHAPTER VI

30

GENERAL FUND, ACCOUNTS AND AUDIT

General
Fund.

20. All receipts of the Development Bank other than those which are to be credited to the Development Assistance Fund under this Act shall be credited to a fund to be called the General Fund and all payments by the Development Bank, other than those which are to be debited to the Development Assistance Fund, shall be made out of the General Fund.

35

21. (1) The balance-sheet and accounts of the Development Bank shall be prepared in such form and manner as may be prescribed.

Preparation of accounts and balance sheet.

(2) The Board shall cause the books and accounts of the Development Bank to be closed and balanced as on the 30th day of June each year.

22. (1) The Development Bank may establish a reserve fund to which may be transferred such sums as that bank may deem fit out of the annual profits accruing to the General Fund.

Disposal of profits accruing to General Fund.

(2) After making provision for bad and doubtful debts, depreciation of assets and for all other matters for which provision is necessary or expedient or which is usually provided for by bankers and for the reserve fund referred to in sub-section (1), the Development Bank shall transfer the balance of the net profits to the Reserve Bank.

23. (1) The accounts of the Development Bank shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 226 of the Companies Act, 1956 who shall be appointed by the Reserve Bank for such term and on such remuneration as the Reserve Bank may fix.

Audit.

1 of 1956.

(2) The auditors shall be supplied with a copy of the annual balance-sheet of the Development Bank and it shall be their duty to examine it together with the accounts and vouchers relating thereto and they shall have a list delivered to them of all books kept by the Development Bank and shall at all reasonable times have access to the books, accounts, vouchers and other documents of the Development Bank.

(3) The auditors may, in relation to such accounts, examine any director or any officer or other employee of the Development Bank and shall be entitled to require from the Board or officers or other employees of the Development Bank such information and explanation as they may think necessary for the performance of their duties.

(4) The auditors shall make a report to the Development Bank upon the annual balance-sheet and accounts examined by them and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and fair view of the state of affairs of the Development Bank and in case they had called for any explanation or information from the Board or any officer or other employee of the Development Bank whether it has been given and whether it is satisfactory.

(5) The Development Bank shall furnish to the Reserve Bank within four months from the date on which its accounts are closed and balanced, a copy of its balance-sheet and accounts together with a copy of the auditors' report and a report of the working of the Development Bank during the relevant year, and the Development Bank shall cause to be published in the Official Gazette copies of the said balance-sheet, accounts and reports. 5

(6) Without prejudice to anything contained in the preceding sub-sections, the Central Government may at any time appoint the Comptroller and Auditor-General of India to examine and report 10 upon the accounts of the Development Bank and any expenditure incurred by him in connection with such examination and report shall be payable by the Development Bank to the Comptroller and Auditor-General of India.

Saving. 24. Save as otherwise provided in sub-section (4) of section 18, 15 nothing contained in this Chapter shall apply to the Development Assistance Fund.

CHAPTER VII

TRANSFER OF BUSINESS OF REFINANCE CORPORATION FOR INDUSTRY

Transfer of assets and liabilities of Refinance Corporation for Industry. 25. (1) On such date as the Central Government may, by notification in the Official Gazette, appoint, the entire undertaking of 20 the Refinance Corporation for Industry, Limited (hereinafter in this Chapter referred to as "the company") including all business, property, assets and liabilities, rights, interests, privileges, and obligations of whatever nature, shall stand transferred to and vest in the Development Bank. 25

(2) As compensation for the transfer of the undertaking of the company to the Development Bank under sub-section (1), the Development Bank shall pay in cash to the company an amount equal to the total paid-up capital of the company for the purpose of being distributed to the shareholders of the company in proportion to 30 their contribution to such paid-up capital.

(3) All contracts, deeds, bonds, agreements, powers of attorney, grants of legal representation and other instruments of whatever nature subsisting or having effect immediately before the date referred to in sub-section (1) and to which the company is a party or 35 which are in favour of that company shall be of full force and effect against or in favour of the Development Bank, as the case may be, and may be enforced or acted upon as fully and effectually as if

instead of the company the Development Bank had been a party thereto or as if they had been issued in favour of the Development Bank.

(4) If on the date referred to in sub-section (1) any suit, appeal
5 or other legal proceeding of whatever nature, is pending by or against the company, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer to the Development Bank of the undertaking of the company or of anything contained in this Act, but the suit, appeal or other proceeding may
10 be continued, prosecuted and enforced by or against the Development Bank.

(5) The Central Government may appoint, whether on or after the date referred to in sub-section (1), a suitable person to take over the management of the company for the purpose of winding up
15 its affairs and distributing its assets and simultaneously with such appointment the Central Government may issue directions to be followed by the person in the management of the company for the purpose aforesaid and thereupon—

1 of 1956.

(a) the provisions of the Companies Act, 1956 or any other
20 law for the time being in force or any instrument having effect by virtue of any such Act or other law, in so far as they are inconsistent with such directions, shall cease to apply to, or in relation to, the company;

(b) all persons in charge of the management, including any
25 person holding office as manager or director, of the company immediately before the issue of such directions, shall be deemed to have vacated their office as such; and

(c) the person appointed to take over the management of the company shall, in accordance with those directions, take all
30 such steps as may be necessary to facilitate the winding up of its affairs and the distribution of its assets.

(6) The Central Government, when satisfied that nothing further requires to be done in order to wind up the affairs of the company, may, by order in writing, direct that as from such date as may be
35 specified therein, the company shall stand dissolved and thereupon any such direction shall have effect accordingly.

1 of 1956.

(7) The provisions of this section shall have effect notwithstanding anything contained in the Companies Act, 1956 or any other law or any instrument having force by virtue of such Act or other law.

CHAPTER VIII

MISCELLANEOUS

Staff of Development Bank 26. (1) The Development Bank may appoint such number of officers and employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment and service. 5

(2) Without prejudice to the provisions of sub-section (1), it shall be lawful for the Development Bank to utilise, and for the Reserve Bank to make available the services of, such staff of the Reserve Bank on such terms and conditions as may be agreed upon 10 between the Development Bank and the Reserve Bank.

Delegation of powers. 27. The Board may, by general or special order, delegate to any committee of directors constituted under section 7 or to any director or to any officer or other employee of the Development Bank, subject to such conditions and limitations, if any, as may be specified 15 in the order, such of its powers and duties under this Act as it may deem necessary.

Returns. 28. The Development Bank shall furnish, from time to time, to the Central Government and the Reserve Bank such returns as the Central Government or, as the case may be, the Reserve Bank, may 20 require.

Obligation as to fidelity and secrecy. 29. (1) The Development Bank shall not, except as otherwise required by this Act or any other law, divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage 25 customary among bankers, necessary or appropriate for the Development Bank to divulge such information.

(2) Every director, member of a committee, auditor or officer or other employee of the Development Bank or of the Reserve Bank, whose services are utilised by the Development Bank under the provisions of this Act, shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the First Schedule to this Act. 30

Defects in appointments not to invalidate acts, etc. 30. (1) No act or proceeding of the Board or of any committee of the Development Bank shall be questioned on the ground merely of 35 the existence of any vacancy in, or defect in the constitution of, the Board or the committee, as the case may be.

(2) No act done by any person acting in good faith as a director shall be deemed to be invalid merely on the ground that he was disqualified to be a director or that there was any other defect in his 40 appointment.

31. (1) Every director shall be indemnified by the Development Bank against all losses and expenses incurred by him in, or in relation to, the discharge of his duties, except such as are caused by his own wilful act or default.

Indemnity
of direc-
tors.

5 (2) A director shall not be responsible for any other director or for any officer or other employee of the Development Bank or for any loss or expenses resulting to the Development Bank from the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the Development Bank or
10 the insolvency or wrongful act of any debtor or any person under obligation to the Development Bank or anything done in good faith in the execution of the duties of his office or in relation thereto.

32. No suit or other legal proceeding shall lie against the Development Bank or any director or any officer or other employee of the
15 Development Bank or any other person authorised by the Development Bank to discharge any functions under this Act for any loss or damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act or any other law or provision having the force of law.

Protection
of action
taken
under this
Act.

20 33. The Bankers' Books Evidence Act, 1891 shall apply in relation to the Development Bank as if it were a bank as defined in section 2 of that Act.

Act 18 of
1891 to
apply in
relation to
Develop-
ment Bank.

34. Nothing contained in the Banking Companies Act, 1949, except section 34A thereof, shall apply to the Development Bank.

Act 10 of
1949 not to
apply to
Develop-
ment Bank

25 35. Notwithstanding anything to the contrary contained in the Income-tax Act, 1961, the Super Profits Tax Act, 1963 or in any other enactment for the time being in force relating to income-tax, super-tax or super profits tax, or any other tax on income, profits or gains, the Development Bank shall not be liable to pay income-tax, super-
30 tax, super profits tax or any other tax in respect of—

Act 43 of
1961 and
Act 14 of
1963 not to
apply to
Develop-
ment Bank

(a) any income, profits or gains accruing or arising to the Development Assistance Fund or any amount received in that fund; and

35 (b) any income, profits or gains derived or any amount received by the Development Bank.

Liquida-
tion of
Develop-
ment Bank.

36. No provision of law relating to the winding up of companies or corporations shall apply to the Development Bank and the Development Bank shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

Power to
make regu-
lations.

37. (1) The Board may, with the previous approval of the Reserve Bank, make regulations not inconsistent with this Act to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for— 10

(a) the times and places of the meetings of the Board or of any committee constituted under this Act and the procedure to be followed at such meetings including the quorum necessary for the transaction of business;

(b) the constitution and functions of the Executive Committee; 15

(c) the fees and allowances that may be paid to the directors and the members of a committee;

(d) the conditions which the Development Bank may impose in granting loans or advances or entering into any other arrangements; 20

(e) the conditions on which the Development Bank may accept, discount or rediscount bills of exchange or promissory notes;

(f) the investment (whether by way of deposit in banks or otherwise) of the amounts in the Development Assistance Fund or the General Fund which are not for the time being required for the transaction of business; 25

(g) the form and manner in which the balance-sheets and the accounts of the Development Assistance Fund and the Development Bank shall be prepared; 30

(h) the forms of returns and statements required under this Act;

(i) the duties and conduct, salaries, allowances and conditions of service of officers and other employees of the Development Bank; 35

(j) the establishment and maintenance of provident or other benefit funds for officers and other employees of the Development Bank;

(k) generally, the efficient conduct of the affairs of the Development Bank; and

(l) any other matter which is to be, or may be, prescribed.

(3) Any regulation which may be made by the Board under this Act may be made by the Reserve Bank within three months of the establishment of the Development Bank; and any regulation so made may be altered and rescinded by the Board in the exercise of its powers under this Act.

38. The enactments specified in Parts I to IV of the Second Schedule to this Act shall be amended in the manner directed in the first column thereof and such amendments shall take effect on the dates specified in the second column of that Schedule.

Amendment of certain enactments.

THE FIRST SCHEDULE

[See section 29(2)]

15

Declaration of fidelity and secrecy

I.....do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as director, member of.....committee, auditor, officer or other employee (as the case may be) of the Industrial Development Bank of India and which properly relate to the office or position held by me in or in relation to the said Development Bank.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Industrial Development Bank of India or to the affairs of any person having any dealing with the said Development Bank, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the said Development Bank and relating to the business of the said Development Bank or the business of any person having any dealing with the said Development Bank.

(Signature.)

Signed before me.

THE SECOND SCHEDULE

(See section 38)

Amendment of certain enactments

PART I

AMENDMENTS TO THE RESERVE BANK OF INDIA ACT, 1934 (2 OF 1934) 5

Amendments (1)	Date on which amendments shall take effect (2)	
1. In section 2, after clause (bbb), insert the following clause, namely :— “(bbbb) “Development Bank” means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964;”.	The date of establishment of the Development Bank.	10
2. In section 8—		15
(a) in sub-section (1),—	-Do-	
(i) in clause (a), for the word “three”, substitute the words “not more than four”;		
(ii) in clause (c), for the word “six”, substitute the word “ten”;		20
(b) in sub-section (4), omit the words, brackets and figure “subject to the provisions of sub-section (6)”;		
(c) omit sub-section (6).		25
3. In sub-section (2) of section 13, for the words “three Directors”, substitute the words “four Directors”.	-Do-	
4. In section 17—	-Do-	
(a) after clause (4F), insert the following clauses, namely:—		30
“(4G) the making of loans and advances to, and the purchasing of bonds and debentures of, the Development Bank out of the National Industrial Credit (Long Term Operations) Fund established under section 46C;		35

Amendments	Date on which amendments shall take effect
(1)	(2)
5 (4H) the making to the Development Bank of loans and advances—	
10 (a) repayable on demand or on the ex- piry of fixed periods not exceed- ing ninety days, from the date of such loan or advance against the security of stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any law for the time being in 15 force in India; or	
20 (b) against the security of bills of exchange or promissory notes, arising out of <i>bona fide</i> commer- cial or trade transactions bearing two or more good signatures and maturing within five years from the date of such loan or advan- ce;”;	
25 (b) in clause (8A), after the words, “the Deposit Insurance Corporation”, insert the words “the Development Bank”.	
5. After section 46B, insert the following sec- tion, namely:—	The date of establishment of the Development Bank.
30 “46C. (1) The Bank shall establish and maintain a Fund to be known as the National Industrial Credit (Long Term Operations) Fund to which shall be credited—	National Industrial Credit (Long Term Operations) Fund.
35 (a) an initial sum of ten crores of rupees by the Bank;	
40 (b) such further sums of money as the Bank may contribute every year;	
40 Provided that the annual contribution during each of the five years commencing with the year end- ing on the 30th day of June, 1965 shall not be less than five crores of rupees:	
45 Provided further that the Central Government may, if the circum- stances so require, authorise the Bank to reduce the said sum of five crores of rupees in any year.	

Amendments (1)	Date on which amendments shall take effect (2)
(2) The amount in the said fund shall be applied by the Bank only to the following objects, namely :—	5
(a) the making to the Development Bank of loans and advances for the purpose of the purchase of, or subscription to, stocks, shares, bonds or debentures issued by the Industrial Finance Corporation of India established under the Industrial Finance Corporation Act, 1948, a State Financial Corporation established under the State Financial Corporations Act, 1951, or any other financial institution which may be notified by the Central Government in this behalf, or for the purposes of any other business of the Development Bank;	10 15 15 of 1948. 63 of 1951. 20
(b) the purchasing of bonds and debentures issued by the Development Bank.”.	25

PART II

AMENDMENT TO THE INDUSTRIAL DISPUTES ACT, 1947 (14 OF 1947)

Amendment (1)	Date on which amendment shall take effect (2)
In section 2, in clause (bb), after the words “and includes”, insert the words “the Industrial Development Bank of India,”.	30 The date of establishment of the Development Bank.

PART III

AMENDMENTS TO THE INDUSTRIAL FINANCE CORPORATION ACT, 1948
(15 OF 1948)

Amendments (1)	Date on which amendments shall take effect (2)
1. In section 2, after clause (b), insert the following clause, namely :— “(bb) “Development Bank” means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964;”.	35 40 The date of establishment of the Development Bank. 45

Amendments	Date on which amendments shall take effect
(1)	(2)
<p>2. In section 4,—</p> <p>5 (a) omit sub-sections (5) and (6); and</p> <p>(b) in sub-section (7), for the words “the Central Government, the Reserve Bank”, substitute the words “the Development Bank”.</p> <p>10</p>	<p>The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.</p>
<p>3. After section 4, insert the following section, namely :—</p> <p>“4A. (1) On such date as the Central Government may, by notification in the Official Gazette, appoint—</p> <p>15 (a) all shares of the Corporation held by the Central Government and the Reserve Bank shall stand transferred to and vest in the Development Bank and as compensation therefor the Development Bank shall pay to the Central Government and to the Reserve Bank respectively the face value of the shares held by that Government and by that Bank;</p> <p>20 (b) the capital issued by the Corporation shall be increased by such number of shares as the Central Government may specify in this behalf and all such shares shall stand allotted to and be subscribed by the Development Bank, so however that after such increase the Development Bank holds not less than fifty per cent. of the paid-up capital of the Corporation.</p> <p>25</p> <p>30</p> <p>35</p>	<p>The date of establishment of the Development Bank.</p>
<p>(2) If and when the remaining shares in the capital of the Corporation, or any part thereof, are issued, such further shares shall be offered to the holders of the shares of the Corporation in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at the date of such further issue;</p> <p>40</p> <p>45</p>	<p>Transfer of shares and increase of capital.</p>
<p>Provided that if any such shares remain unallotted, they shall be subscribed for by the Development Bank.”</p>	

Amendments	Date on which amendments shall take effect
(1)	(2)
4. In section 6,—	The date appointed by the Central Government 5 under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act. 10
(a) in sub-section (3), for the words “the Central Government”, substitute the words “the Development Bank”;	
(b) for sub-section (4), substitute the following sub-section, namely:—	
“ (4) If any dispute arises between the Development Bank and the Board as to whether a question is or is not a question of policy, the dispute shall be referred to the Central Government whose decision there- on shall be final.”;	15
(c) in sub-section (5), for the words “laid down by the Central Government”, substitute the words “given by the Development Bank”.	20
5. In section 10,—	Do.
(a) in sub-section (1)—	
(i) in clause (a), for the words “ the Board”, substitute the words “the Development Bank”;	25
(ii) in clause (aa), for the words “ the Central Government”, substitute the words “the Development Bank”;	30
(iii) in clause (b), for the words “the Central Board of the Reserve Bank”, substitute the words “the Central Government”;	
(iv) in clause (d), for the words “the Central Government, the Reserve Bank”, substitute the words “the Development Bank”;	35
(b) after sub-section (1), insert the follow- ing sub-section, namely:—	40
“ (2) On the date appointed under sub-section (1) of section 4A, the Direc- tors holding office under clause (aa) or clause (b) immediately before the said date shall be deemed to have vacated their offices as such.”.	45

Amendments	Date on which amendments shall take effect
(1)	(2)
5 6. In section 10A, in sub-section (1), for the words "by the Board", substitute the words "by the Development Bank".	The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.
10 7. In section 11, in the proviso to sub-section (4), insert at the end the words "or of the Development Bank".	Do.
15 8. In section 13, in sub-section (1), after the words "The Central Government may", insert the words "after consultation with the Development Bank".	Do.
20 9. In section 13A, for the words "with the Board", substitute the words "with the Development Bank".	Do.
25 10. In section 17, in sub-section (6), for the words "the Central Government or the Reserve Bank", substitute the words "the Development Bank or the Central Government".	Do.
11. In section 18, for the words "the Central Government", substitute the words "the Development Bank".	Do.
30 12. In section 21, in sub-section (4), after the words "borrow money from the Central Government", insert the words "or the Development Bank" and after the words "borrowed by the Corporation from the Central Government", insert the words "and the Development Bank".	Do.
13. In section 23, in sub-section (1)—	Do.
(a) in clause (h), for the words "the Central Government", substitute the words "the Development Bank";	
40 (b) after clause (i), insert the following clause, namely:—	
" (ii) acquiring with the approval of the Development Bank the undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in India, or the grant of financial assistance for such promotion or development;".	

Amendments	Date on which amendments shall take effect
(1)	(2)
14. In section 24,— (i) for the words “one crore”, wherever they occur, substitute the words “two crores”; (ii) for the words “the Central Government”, substitute the words “the Development Bank”.	The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.
15. For section 32A, substitute the following section, namely :—	Do.
Special reserve fund.	“32A. (1) All dividends accruing on the shares of the Corporation held by the Central Government and the Reserve Bank immediately before the date ap- pointed by the Central Government under sub-section (1) of section 4A in respect of any completed accounting period, whether declared or not, shall be credited to a special reserve fund.
	(2) All dividends accruing to the Develop- ment Bank shall, instead of being paid to it, be also credited to the said fund until the aggregate of the sums credited to the fund under sub-section (1) and this sub-section exceeds one crore of rupees.
	(3) The Central Government, the Reserve Bank and the Development Bank only shall have claims to the said fund.”
	16. In section 34,— Do.
(a) in sub-section (1)— (i) for the words “the Central Govern- ment in consultation with the Com- ptroller and Auditor-General of India”, substitute the words “the Development Bank”;	35
(ii) for the words “the Central Govern- ment”, where they occur for the second time, substitute the words “the Development Bank”;	40
(b) in sub-section (4), for the words “the Comptroller and Auditor-General of India”, substitute the words “the Deve- lopment Bank”;	45
(c) omit sub-section (5) ;	

Amendments	Date on which amendments shall take effect
(1)	(2)
<p>5 (d) for sub-section (6), substitute the following sub-section, namely :—</p> <p>10 “(6) Without prejudice to anything contained in the preceding sub-sections, the Central Government may, at any time, appoint the Comptroller and Auditor-General of India to examine and report upon the accounts of the Corporation and any expenditure incurred by him in connection with such examination and report shall be payable by the Corporation to the Comptroller and Auditor-General of India.”</p>	
<p>17. In section 35—</p> <p>20 (a) in sub-section (2), for the words “Central Government”, at both places where they occur, substitute the words “Development Bank”;</p> <p>25 (b) in sub-section (3), for the words “and the Reserve Bank”, substitute the words “the Reserve Bank and the Development Bank”.</p>	<p>The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.</p>
<p>18. Re-number section 36 as sub-section (1) thereof, and—</p> <p>30 (a) in sub-section (1) as so re-numbered, for the words “other than the Central Government and the Reserve Bank”, substitute the words “other than the Development Bank”;</p> <p>35 (b) after sub-section (1) as so re-numbered, insert the following sub-sections, namely :—</p> <p>40 “(2) After the acquisition of the shares as provided by sub-section (1), the Central Government shall transfer the shares to the Development Bank on that bank paying an amount equal to the amount paid by the Central Government for such acquisition.</p>	Do.

Amendments	Date on which amendments shall take effect
(1)	(2)
(3) After the transfer of the shares by the Central Government to the Development Bank under sub-section (2), the Central Government may direct by notification in the Official Gazette that with effect from such date as may be specified in the notification the entire undertaking of the Corporation, including all business, property, assets and liabilities, rights (including the right to recover loans and advances granted by the Corporation in accordance with the provisions of this Act), interests, privileges and obligations of whatever nature, shall stand transferred to and vest in the Development Bank.	5 10 15 20
(4) For the purpose of giving effect to the transfer of the undertaking of the Corporation to the Development Bank, the Central Government shall, by order in writing, frame a scheme providing for all matters for which provision is necessary, and the scheme so framed shall be binding upon the Corporation, its creditors and employees and the Development Bank and shall have effect notwithstanding anything to the contrary contained in any law for the time being in force or in any contract or other instrument.	25 30 35
(5) The provisions of this section shall have effect notwithstanding anything contained in this Act or any other law or any instrument having force by virtue of such Act or other law."	40
9. After section 40A, insert the following section, namely :— "40B. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with	The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.

	Amendments (1)	Date on which amendments shall take effect (2)
5	the purposes of this Act as appear to it necessary or expedient for removing the difficulty.	
10	(2) An order under sub-section (1) may be made so as to have retrospective effect from a date not earlier than the date appointed under sub-section (1) of section 4A."	
15	20. In section 42, in sub-section (1), after the words "The Central Government may", insert the words "in consultation with the Development Bank".	The date appointed by the Central Government under sub-section (1) of section 4A of the Industrial Finance Corporation Act, 1948 as inserted by this Act.
20	21. In section 43, in sub-section (1), for the words "the Reserve Bank", substitute the words "the Development Bank".	Do.

PART IV

AMENDMENT TO THE BANKING COMPANIES ACT, 1949
(10 OF 1949)

	Amendment (1)	Date on which amendment shall take effect (2)
25		
30	In section 34A, in sub-section (3), after the word "includes", insert the words "the Industrial Development Bank of India,".	The date of establishment of the Development Bank.

STATEMENT OF OBJECTS AND REASONS

The existing arrangements for the provision of credit for the expansion or development of industry are not adequate in relation to the needs of the various enterprises or projects. It is proposed, therefore, to establish a new institution, to be known as the Industrial Development Bank of India. It will be a wholly-owned subsidiary of the Reserve Bank of India and will be managed by a Board of Directors, consisting of persons who are for the time being members of the Central Board of the Reserve Bank.

2. The Industrial Development Bank of India will be able to co-ordinate the activities of all the institutions which are or may be concerned with the provision of finance for industrial development. It will be in a position to provide refinance to these institutions or to grant direct loans to industrial concerns or to promote and develop key industries, as circumstances may require.

3. The provisions of the Bill are explained in detail in the notes on clauses.

T. T. KRISHNAMACHARI.

NEW DELHI;
The 18th February, 1964.

RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 2(102) Corp./63, dated the 21st February, 1964 from Shri T. T. Krishnamachari, Minister of Finance to the Secretary, Lok Sabha].

The Vice-President discharging the functions of the President having been informed of the subject matter of the proposed Industrial Development Bank of India Bill, 1964, recommends the introduction of the Bill in the Lok Sabha under clause (1) of article 117 and clause (1) of article 274 and its consideration under clause (3) of article 117 of the Constitution.

Notes on Clauses

Clause 2 provides for the definition of the expressions used in the Bill. The proposed definition of an industrial concern is reasonably wide and will include all industrial units or enterprises, whether they are in the private or the public sector and whether or not they are incorporated under the Companies Act or under any other law.

Clause 3 provides for the establishment of the Industrial Development Bank of India and its branches and agencies.

Clause 4 provides for the share capital and ownership of the Industrial Development Bank. Like the Industrial Development Bank of Canada, it will be a wholly-owned subsidiary of the central bank of the country. Its authorised capital will be Rs. 50 crores, but may be increased to Rs. 100 crores with the previous approval of the Central Government. The issued capital will be initially Rs. 10 crores, but may be increased from time to time with the previous approval of the Central Government.

Clauses 5 and 6 provide for the management of the Industrial Development Bank. It is proposed (on the analogy of the provision in section 3 of the Industrial Development Bank Act, 1944 of Canada) that the Board of Directors should consist of persons who are, for the time being, directors of the Central Board of the Reserve Bank. The Governor of the Reserve Bank will be the chairman of the Board of Directors and a Deputy Governor of the Reserve Bank of India nominated by that bank, will be the vice-chairman of the Board.

Clause 7 provides for the constitution of executive and other committees for carrying out any functions or duties which may be delegated or allotted to them by the Board of Directors.

Clause 9 provides for the business which the new institution is expected to transact. It will, like the Kreditanstalt in West Germany and the Media Credito in Italy, refinance long or medium term loans granted by other financial institutions or banks. The long term loans refinanced by the new institution are expected to be repaid within a period of twenty-five years and medium term loans are expected to be repaid within a period of ten years. If industrial concerns require financial accommodation, in connection with the export of capital goods or other commodities on deferred payment terms and the grant of credit facilities to the importers of such goods or commodities

outside India, the Industrial Development Bank will be able to grant the necessary accommodation, for periods up to ten years, but subject to the exchange control regulations governing such exports. Short term loans, granted for a period of less than three years for financing the normal requirements of industrial concerns or for a period of less than six months for financing exports, will not be refinanced by the Industrial Development Bank.

Where loans or other accommodation may not be available to any industrial concern from the existing financial institutions or from the commercial banking system, the Industrial Development Bank will assist the concern by granting loans directly to it or by subscribing to the issue of shares, bonds or debentures by it or by guaranteeing its obligations.

No special provision has been made as regards the nature or types of security against which refinance or direct assistance, as the case may be, can be granted. Apart from being able to exercise some degree of discretion in regard to these matters, the Industrial Development Bank will be able to accept or discount the bills of industrial concerns, arising out of *bona fide* commercial or trade transactions, either directly, or when such bills are presented through scheduled or State co-operative banks.

The Industrial Development Bank will underwrite new issues, particularly in cases in which facilities for this purpose may not normally be available. It can provide technical or administrative assistance to industrial concerns, and undertake research or techno-economic studies and surveys, on its own initiative or otherwise, with a view to promoting the establishment of new enterprises. Like the Japanese Development Bank, the Industrial Development Bank of India will be able to develop key industries which are important from the point of view of future industrial growth or the overall needs of the economy.

The Industrial Development Bank will be in a position to form subsidiaries for any or all of these purposes.

Clauses 10 to 12 provide for the grant of loans by the Central Government to, and borrowing from other sources by, the Industrial Development Bank. The Central Government will be authorised to grant an interest-free loan of Rs. 10 crores to the Industrial Development Bank, when it is established. The loan, if granted, will be repayable in easy instalments, after a period of fifteen years. The income accruing to the Industrial Development Bank from the utilisation of the funds attributable to this loan will enable it to meet its

expenses, until such time as its earnings or income from other resources are adequate to meet its normal or average expenditure. The Central Government will, apart from this initial loan, grant to the Industrial Development Bank such other loans as may be necessary from time to time on the usual terms and conditions.

Like all financial institutions, the Industrial Development Bank will be able to borrow from the market on its own bonds or debentures. The bonds or debentures will not be guaranteed by the Central Government, if such a guarantee is not considered necessary. Normal banking accommodation for periods up to ninety days will be available to the new institution from the Reserve Bank on the usual terms and conditions. The Industrial Development Bank will, in addition, be entitled to loans and advances from the Reserve Bank, on the security of the commercial or trade bills of industrial concerns maturing within five years, which are held in the portfolio of the Industrial Development Bank (*vide* also the notes on clause 9).

The Reserve Bank will establish a new fund, to be known as the National Industrial Credit (Long-term Operations) Fund, to which allocations will be made from out of the surplus profits of the Reserve Bank before they are transferred to the Central Government. Loans from this fund will be granted to the Industrial Development Bank for enabling it (a) to acquire shares in other financial institutions which may be concerned with the grant of credit for industrial purposes, or (b) to subscribe to the bonds or debentures of such institutions, or (c) to finance the Industrial Development Bank's own business.

The Industrial Development Bank will be able to borrow amounts in foreign currencies on such terms and conditions as may be approved by the Central Government.

Clause 13 enables the Industrial Development Bank to receive any amount from any source otherwise than by way of loans.

Clauses 14 to 19 relate to the provision for the grant of assistance to industry from another special fund which will be created for this purpose. In other countries, where development banks have been established, it is not unusual for Governments to place at the disposal of these banks counterpart, trust or other funds for supplementing the resources which may otherwise be available to them. The Development Assistance Fund in this case will be created with an appropriate initial contribution from the Central Government and will be credited from time to time with such further sums as may be necessary, having regard to the demands of Indian industry. The

tund will be managed by the Industrial Development Bank and will be utilised for granting assistance to essential industrial enterprises, in circumstances in which, on purely commercial considerations or in the light of the standards or criteria which are normally followed, loans are not likely to be granted to these enterprises by banks or other financial institutions. The industries which are likely to be assisted will be those which, for various reasons, such as the heavy investment which may be involved or the anticipated rate of return on capital, may not be able to obtain funds or resources in the usual course, but may nevertheless be of such importance that special provision for assisting them will be justified.

The accounts of the Development Assistance Fund will be maintained separately, and a report on the operations of this fund will be submitted to the Central Government.

Clauses 20 to 24 provide for the maintenance of accounts in respect of all transactions other than those relating to the Development Assistance Fund, the creation of a general reserve fund, the preparation of the annual balance-sheet and profit and loss accounts of the Development Bank in respect of these other transactions, and the audit and publication of the balance-sheet and accounts. The profits of the Industrial Development Bank, after making provision for bad and doubtful debts, depreciation, reserves and other appropriations will be transferred to the Reserve Bank.

Clause 25 provides for the transfer to the Industrial Development Bank at any later stage, if this is considered necessary, of the undertaking and business of the Refinance Corporation for Industry. This institution which was established in June 1958 has been refinancing medium-term loans, granted to medium-sized enterprises by commercial banks, State co-operative banks and State Financial Corporations. It will continue to carry on this business, even after the Industrial Development Bank has been established, but if in the light of any further developments or for administrative or other reasons, it becomes necessary for the business of refinancing of industrial credit to be undertaken mainly or solely by the Industrial Development Bank, the shares of the Reserve Bank, the Life Insurance Corporation, the State Bank and other commercial banks in the Refinance Corporation for Industry will be taken over by the Industrial Development Bank, on the payment of compensation equal to the face value of these shares.

Clauses 26 to 34 provide for the staff of the Industrial Development Bank, the delegation of powers, obligations as to secrecy, the indemnity of directors, and other matters for which provision is usually made in similar enactments.

Clause 35 provides for the exemption of the Industrial Development Bank from income and other direct taxes.

Clause 38 provides for amendments to the Reserve Bank of India Act, 1934, the Industrial Disputes Act, 1947, the Industrial Finance Corporation Act, 1948 and the Banking Companies Act, 1949.

The amendments to the Reserve Bank of India Act are mainly **consequential**. The Reserve Bank will be enabled to subscribe to the share capital of the Industrial Development Bank, to create the National Industrial Credit (Long-term Operations) Fund and to grant to the Industrial Development Bank normal banking accommodation or special loans for periods up to five years on the security of trade or commercial bills. In view of the incorporation of the Industrial Development Bank as a wholly-owned subsidiary of the Reserve Bank and the other responsibilities which have recently been entrusted to the Reserve Bank, it is proposed that the number of directors on the Central Board of the Reserve Bank should be increased from 15 to 20, by the appointment of an additional Deputy Governor (who may become the vice-chairman of the Industrial Development Bank) and the nomination of four additional non-official directors under clause (c) of sub-section (1) of section 8 of the Reserve Bank of India Act.

The amendment to the Industrial Disputes Act, 1947 is intended to make it clear that the appropriate Government in relation to any industrial disputes involving the Industrial Development Bank will be the Central Government.

The amendments to the Industrial Finance Corporation Act, 1948 are intended (a) to facilitate the transfer at par value of the shares now held in the Corporation by the Reserve Bank and the Central Government to the Industrial Development Bank and to enable the Industrial Development Bank to acquire additional shares in the Corporation so as to increase its total holdings up to fifty per cent. of the paid-up capital of the Corporation, and (b) to provide for consequential changes in various provisions relating to the constitution of the Board of Directors of the Corporation, the issue of directions to, or borrowing by, the Corporation, the special reserve fund and accounts and audit.

The Industrial Finance Corporation will, after it is reconstituted, continue to function as an independent institution managed by a Board of Directors, consisting of a chairman and two directors appointed by the Central Government, four directors nominated by the Industrial Development Bank and six directors elected as at present by the remaining shareholders. The Corporation's powers

will be extended so as to enable it to take over, with the approval of the Industrial Development Bank, any institution concerned with the provision of industrial finance. If in the light of any further developments, it is considered necessary or desirable that the Industrial Finance Corporation should become a wholly-owned subsidiary of the Industrial Development Bank or be merged in that institution, the Central Government will acquire and transfer to the Industrial Development Bank the shares in the Industrial Finance Corporation (other than those which may already be held by the Industrial Development Bank) on the terms and conditions which are already specified in section 36 of the Industrial Finance Corporation Act. Provision has been made for the transfer at that stage, if considered necessary, of the business and undertaking of the Industrial Finance Corporation to the Industrial Development Bank.

The amendment to the Banking Companies Act, 1949 is for the purpose of extending to the Industrial Development Bank the benefit of protection against any demand by any tribunal or authority under the Industrial Disputes Act, 1947 for information regarding inner reserves.

FINANCIAL MEMORANDUM

Clause 10 of the Bill provides that the Central Government may grant an interest-free loan of Rs. 10 crores to the Industrial Development Bank, after it has been established, and that the Government may grant to the new institution from time to time such further loans as may be necessary. Sub-clause (2) of clause 11 provides that the Central Government may in certain circumstances guarantee the repayment of principal and the payment of interest in respect of the bonds and debentures issued by the Industrial Development Bank and sub-clause (2) of clause 12 provides for a similar guarantee, if necessary, in respect of any loan raised by the Industrial Development Bank in foreign currencies. Clause 15 provides for the credit to the Development Assistance Fund of certain sums which may be appropriated for this purpose.

2. It is expected that a loan of Rs. 10 crores will be granted to the Industrial Development Bank during 1964-65. It is not possible at this stage to anticipate when or how other loans may have to be granted to the new institution or to indicate the amount of the grants which may have to be made for credit to the Development Assistance Fund.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 19 provides that the Development Assistance Fund which will be held and managed by the Industrial Development Bank may be wound up, if necessary, in such manner as the Central Government may direct. Clause 36 makes similar provision as regards the Industrial Development Bank.

Clause 37 empowers the Board of Directors of the Industrial Development Bank to make regulations with the previous approval of the Reserve Bank for matters relating to the constitution of the executive committee, the transaction of business by the Board of Directors and the committees, the fees and allowances to be paid to the directors and members of committees, the conditions on which loans, advances or other financial accommodation may be granted, the form and manner in which the balance-sheet and accounts are to be prepared and for other similar or connected purposes.

Part III of the Second Schedule empowers the Central Government to frame a suitable scheme, if necessary, to provide for the transfer of the business and undertaking of the Industrial Finance Corporation to the Industrial Development Bank.

The matters in respect of which power is conferred on the Central Government or on the Board under clauses 19, 36, 37 and Part III of the Second Schedule relate to the day to day administration of the Industrial Development Bank or to the implementation of the policy which is already embodied in the Bill and the delegation of legislative power is of a normal character.

M. N. KAUL,
Secretary.